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October 6, 2006

VIA ELECTRONIC-FILING

Charles L.A. Terreni
Chief Clerk & Administrator
Public Service Commission of South Carolina
101 Executive Center Drive
Columbia, South Carolina 29210

Re: **Docket No. 2006-290-E: Petition of Progress Energy Carolinas, Inc. for an Accounting Order to Defer Certain Environmental Compliance Costs**

Dear Mr. Terreni,

This is to inform the Public Service Commission ("Commission") that the Office of Regulatory Staff ("ORS") has reviewed the above referenced filing. Based on the information provided, ORS does not have an objection to Progress Energy Carolinas, Inc.'s ("Progress Energy Carolinas") request for an accounting order in this matter.

ORS understands that Progress Energy Carolinas is requesting approval for deferred accounting and amortization of costs associated with environmental remediation of eight former manufactured gas plant sites and two transformer sites. The Company is required to accrue for losses associated with these environmental remediation obligations when such losses can be reasonably projected, and in this case the Company's estimate of the South Carolina retail jurisdictional portion of this liability is \$3 million. Progress Energy Carolinas asserts this request will not involve a change to any of the Company's South Carolina retail electric rates but such amounts could be included in future base rate filings. To the extent such costs are included in future base rate filings, interested parties, including ORS, would have an opportunity to re-examine this issue at that time.

Thank you for the opportunity to provide our comments in this matter.

Sincerely,

John W. Flitter

JWF/sh

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cc: Dan F. Arnett, Chief of Staff, SC ORS
Nanette S. Edwards, Deputy General Counsel, SC ORS
Dr. James Spearman, Executive Assistant, SC PSC
Len S. Anthony, Manager -Regulatory Affairs, Progress Energy Service Company
Kendal C. Bowman, Associate General Counsel, Progress Energy Service Company